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Chairman: Mr. Fermín (Vice-Chairman) ..... (Dominican Republic)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Ms. McLurg

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In the absence of Mr. Bródi (Hungary), Mr. Fermín (Dominican Republic) took the Chair.

The meeting was called to order at 10.10 a.m.

Agenda item 120: Improving the financial situation of the United Nations

1. **Ms. Kane** (Under-Secretary-General for Management) said that she would focus on four main financial indicators: assessments issued, unpaid assessed contributions, available cash resources and debt to Member States. The overall financial picture was mixed, mainly due to borrowing for the regular budget.

2. Turning first to the regular budget, she noted that levels of assessments and payments had both been lower as at 24 October 2008 than as at 31 October 2007, by $174 million and $25 million, respectively. The decrease in assessments for 2008 had been the result of budget adjustments, primarily for special political missions, that had been incorporated into the 2007 assessments. Unpaid assessed contributions had decreased to $756 million as at 24 October 2008, compared to $836 million a year earlier. As at 24 October 2008, 133 Member States had paid their regular budget assessments in full, seven more than on 31 October 2007. She urged the remaining Member States to pay their assessed contributions for 2008 as soon as possible. Of the total of $756 million outstanding as at 24 October 2008, 94 per cent had been owed by a single Member State and 6 per cent by the remaining Member States. The final picture for 2008 would depend on the action taken by those States in the months that followed.

3. Cash resources for the regular budget comprised the General Fund, into which assessed contributions were paid, the Working Capital Fund, which had been approved at a level of $150 million by the General Assembly, and the Special Account. As at 24 October 2008, the total cash resources available had stood at $324 million, as compared to $666 million on 31 December 2007, which reflected a shortage for the regular budget that was primarily due to expenditures for special political missions during the first year of the current biennium and the weakening of the United States dollar as compared to budgeted exchange rates. Depending on action yet to be taken on the national budget of one Member State, it might be necessary to borrow $148 million from reserve accounts by the end of December 2008. With regard to the month-by-month cash position, she anticipated that it would be necessary to draw on reserves in November and December 2008. Alternatively, if the major contributor paid the full amount of its 2008 assessment, the Organization could have a positive cash balance at the end of December 2008.

4. A number of factors made it difficult to predict financial outcomes for peacekeeping activities: demand was unpredictable; the financial period for peacekeeping ran from 1 July to 30 June rather than from 1 January to 31 December; assessments were issued separately for each operation; and, since assessments could only be issued through the mandate period approved by the Security Council for each mission, they were issued for different periods throughout the year. All those factors complicated a comparison between the financial situation of peacekeeping operations and that of the regular budget and the International Tribunals.

5. The total amount outstanding for peacekeeping operations as at 24 October 2008 had been over $2.9 billion, approximately $198 million higher than at the end of 2007, but $575 million below the level as at 31 October 2007. The current level of unpaid assessments was partly related to the financial cycle for peacekeeping: assessments of $2.7 billion had been issued for all active missions at the start of the current period in July 2008 and another $1 billion in assessments had been issued in August 2008. The $2.9 billion outstanding as at 24 October 2008 had also included assessments within the 30-day due period, totalling approximately $563 million, which had been issued on 26 September 2008.

6. Over 60 per cent of the $2.9 billion in unpaid assessments was owed by two Member States and another 21 per cent was owed by four others. Due to the unpredictable levels and timing of peacekeeping assessments, it could be more difficult for Member States to keep fully current with their payments. The 31 Member States that had paid all their peacekeeping assessments as at 24 October 2008 therefore deserved special thanks.

7. As at 24 October 2008, the cash balance in peacekeeping accounts had stood at some $3.1 billion. That amount was divided between the accounts of a number of ongoing and closed operations and the Peacekeeping Reserve Fund, but there were restrictions

on its use. The General Assembly routinely specified that no peacekeeping mission should be financed by borrowing from other active missions, and the terms of reference of the Peacekeeping Reserve Fund restricted its use to new operations and the expansion of existing operations. Further, only some of the cash available in the accounts of closed peacekeeping operations was available for borrowing. As at 24 October 2008, cash in the accounts of active missions had totalled approximately $2.5 billion, the Peacekeeping Reserve Fund had had a balance of $142 million and the accounts of closed missions had totalled $467 million. According to current estimates, there would be a total of just under $2.2 billion available in peacekeeping accounts at the end of 2008, with $1.5 billion in the accounts of active missions, $522 million in the accounts of closed missions and $142 million in the Peacekeeping Reserve Fund.

8. Of the $522 million expected to be available in the accounts of closed missions at the end of 2008, $295 million had been set aside for payment of outstanding liabilities, such as troop and equipment payments and credits to be returned to Member States. That left only $227 million available for cross-borrowing by active peacekeeping operations and for other accounts, including the regular budget and the International Tribunals. That was a very thin margin for cross-borrowing, which had been required in 2007 for five active peacekeeping operations, namely the United Nations Interim Administration Mission in Kosovo (UNMIK), the United Nations Observer Mission in Georgia (UNOMIG), the United Nations Mission for the Referendum in Western Sahara (MINURSO), the United Nations Peacekeeping Force in Cyprus (UNFICYP) and the United Nations Stabilization Mission in Haiti (MINUSTAH), for a total of $50 million. So far in 2008, cross-borrowing of $117 million had been required for UNMIK, UNOMIG, MINURSO, UNFICYP, MINUSTAH, the United Nations Operation in Côte d'Ivoire (UNOCI) and the United Nations Mission in Liberia (UNMIL).

9. Revised projections of the Organization's debt to Member States suggested that the amount outstanding would total $645 million at the end of 2008. New obligations had increased in 2008, mainly due to the deployment of troops in the African Union-United Nations Hybrid Operation in Darfur (UNAMID), but had been partly offset by a reduction in the authorized military strength of UNMIL, lower deployment in the United Nations Interim Force in Lebanon (UNIFIL) and termination of the mandate of the United Nations Mission in Ethiopia and Eritrea (UNMEE). The total number of troops and formed police units deployed had risen from 74,578 at the end of 2007 to 79,047 as at 30 September 2008. A detailed breakdown of the amounts owed to individual Member States as at 24 October 2008 was being circulated.

10. Payments in respect of troop obligations had been broadly current up to July 2008 for UNMEE and up to August 2008 for MINUSTAH, UNAMID, UNIFIL, UNMIL, UNOCI, the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC), the United Nations Disengagement Observer Force (UNDOF), the United Nations Mission in the Sudan (UNMIS) and the United Nations Integrated Mission in Timor-Leste (UNMIT). Payments for contingent-owned equipment and self-sustainment claims had been current up to March 2008 for MINUSTAH and UNOCI and up to June 2008 for MONUC, UNDOF, UNIFIL, UNMEE, UNMIL, UNMIS and UNMIT. Owing to cash shortfalls, however, reimbursements had fallen behind the normal quarterly process for MINURSO, UNMIK, UNOMIG and UNFICYP. In that connection, delays in the receipt of contributions affected the Secretariat's ability to make quarterly payments to troop contributors, as it must first ensure adequate provision of cash resources to cover ongoing operating costs. Nevertheless, the Secretariat would monitor the situation and would make the next payment as soon as possible. The Secretary-General remained committed to meeting the Organization's obligations to troop and equipment contributors as expeditiously as possible. To that end, Member States must meet their financial obligations to the Organization in full and on time and the relevant memorandums of understanding must be finalized.

11. The financial position of the International Criminal Tribunal for Rwanda and the International Criminal Tribunal for the Former Yugoslavia had remained relatively acceptable in 2008, with assessments somewhat higher and the amount outstanding slightly lower than in 2007. As at 24 October 2008, 97 Member States had paid their assessed contributions in full — five more than as at 31 October 2007 — and she urged the remaining Member States to follow their example. The breakdown of unpaid assessed contributions showed that one Member State accounted for 85 per cent of the

total and the remaining Member States for 15 per cent. If recent positive cash flow trends continued, the Tribunals would end the year with positive cash balances, although the International Criminal Tribunal for the Former Yugoslavia would be in a stronger position than the International Criminal Tribunal for Rwanda. Once again, however, the final outcome would depend on Member States meeting their financial obligations in full and on time.

12. Recalling that the total budget for the capital master plan of $1.9 billion had been approved by the General Assembly in December 2006, she said that 180 Member States had opted for the multi-year payment plan while 12 Member States had chosen to make a one-time payment. As at 24 October 2008, payments totalling $766 million had been made, with $80 million still outstanding. A number of Member States that had not opted for one-time payment had nevertheless made advance payments. She thanked the 120 Member States that had paid their capital master plan assessments, and urged all Member States to pay their assessed contributions in full and on time in order to ensure the timely implementation of the plan.

13. In conclusion, she paid special tribute to the 31 Member States that had paid in full all assessments due and payable by 24 October 2008. The financial indicators for 2008 were mixed, and in order to maintain the financial health of the Organization, it remained as critical as ever for Member States to meet their obligations in full and on time.

Agenda item 118: Programme budget for the biennium 2008-2009 (*continued*)

Progress report on the adoption of the International Public Sector Accounting Standards (A/62/806; A/63/496)

14. **Mr. Yamazaki** (Controller), introducing the first progress report of the Secretary-General on the adoption of International Public Sector Accounting Standards (IPSAS) (A/62/806), said that the International Public Sector Accounting Standards adoption project involved developing IPSAS-compliant accounting policies and guidelines that would lead to greater comparability of financial statements within the United Nations system. Those harmonized policies were endorsed by the Finance and Budget Network of the United Nations System Chief Executives Board for Coordination (CEB) High-level Committee on Management after consultation with the organizations in the system.

15. Organizations were at different stages of implementing IPSAS requirements. The World Food Programme would implement IPSAS in 2008 and a number of organizations were aiming for the recommended date of 2010. Others had indicated that 2010 was not achievable because enterprise resource planning (ERP) or changes to information systems were required before IPSAS could be implemented.

16. The process of adopting IPSAS at the United Nations itself would depend on the implementation of the information system requirements. A governance structure had been put in place with the establishment of a steering committee and an IPSAS project team. Working groups had been formed to engage in the consultation process that would lead to IPSAS-compliant policies and guidelines for the Organization.

17. The overall strategy in relation to the ERP project was to ensure that the information requirements for successful IPSAS implementation were met by the new ERP system. That was being done by incorporating IPSAS requirements into the business specifications for ERP, aligning joint milestones and activities for the two projects, making IPSAS-required modules a priority for the first phase of ERP implementation and creating structural interaction between the two projects at the governance and functional levels. Although the report indicated that future financial statements would be based on the progressive incorporation of IPSAS standards beginning with the statement for the period ending 31 December 2011, in view of the latest plans for ERP that target would likely have to be postponed.

18. Twenty training courses on IPSAS awareness and products were being developed and, beginning in 2009, would be conducted throughout the United Nations system by consultants and in-house experts. More basic courses would be computer-based while more advanced courses would be taught by instructors.

19. The Secretary-General would present a report at a later date on the recommendation by the Finance and Budget Network that organizations in the United Nations system should conduct annual audits, which would require an amendment to the Financial Regulations and Rules. The General Assembly was requested to take note of the present report.

20. **Ms. McLurg** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee on Administrative and Budgetary Questions (A/63/496), said that, since the approval by CEB of the system-wide IPSAS project in 2005, progress had been made in project governance and organization, the development of IPSAS-compliant harmonized accounting policies and guidance, and communication and training. The Advisory Committee encouraged the Secretary-General, as Chairman of CEB, to continue to make full use of the Finance and Budget Network and relevant task forces to enhance coordination of all aspects of the transition to IPSAS, and to draw on the experience of other organizations that were further advanced in the process of IPSAS implementation.

21. The Advisory Committee also noted that the United Nations had been collaborating with members of the Executive Committee of the United Nations Development Group to develop harmonized financial regulations and rules that reflected the changes required for the adoption of IPSAS in the five participating organizations: United Nations, United Nations Development Programme, United Nations Children's Fund, United Nations Population Fund and World Food Programme.

22. In order to meet the target date of 2010 for adoption of IPSAS, significant progress must be made by the end of 2009 on the implementation of the required information systems, on the establishment of IPSAS-compliant procedures and on staff training. Recalling the observation of the Board of Auditors in its report for the biennium ended 31 December 2007 (A/63/5 (Vol.I)) that the delay in funding of the enterprise resource planning system would have a direct impact on the implementation of IPSAS, which was likely to result in its postponement to 2011 at the earliest instead of 2010 as originally planned, the Advisory Committee was of the view that it might be advisable to implement IPSAS in 2012, rather than in the middle of the biennial budget period. In that way, the financial statement for the biennium 2012-2013 could be prepared in accordance with IPSAS standards.

23. The Advisory Committee recognized the significant efforts under way and the considerable task involved in preparing and implementing IPSAS, and recommended that the General Assembly should take note of the Secretary-General's first progress report.

24. **Mr. Thomas** (Antigua and Barbuda), speaking on behalf of the Group of 77 and China, recalled that, in its resolution 60/283, the General Assembly had approved the adoption of the International Public Sector Accounting Standards as well as the resources requested to permit the Secretary-General to begin implementation of the Standards. By that same resolution, it had decided to replace the Integrated Management Information System with a next-generation enterprise resource planning system.

25. The Group of 77 had always supported measures aimed at enhancing the credibility, transparency and accountability of the Organization's financial processes and transactions and considered the adoption of IPSAS and the implementation of enterprise resource planning a valuable opportunity to achieve progress in that area.

26. It was important that IPSAS should be applied uniformly, so that the financial statements of the different United Nations entities were consistent and comparable. As Chairman of the Chief Executives Board, the Secretary-General should continue to coordinate the transition from the United Nations system accounting standards to IPSAS.

27. The Group noted the statement in the Secretary-General's report (A/62/806) that, in order for United Nations system organizations to meet the target of 2010 for adoption of IPSAS, significant progress must be made towards the implementation of the required information systems, the establishment of detailed IPSAS-compliant procedures and the training of staff by the end of 2009.

28. To ensure a smooth transition, it was important to develop a comprehensive training strategy and to synchronize the implementation schedule with the introduction of the new information technology system. The Group noted the Board of Auditors' observation that a delay in funding enterprise resource planning would have a direct impact on the implementation of IPSAS and would be likely to result in its postponement to 2011 at the earliest. In that regard, the Group reiterated its call to Member States to provide adequate funding for all the Organization's activities, including its reform initiatives.

29. **Mr. Chumakov** (Russian Federation) said that his delegation had noted the information provided in the report of the Secretary-General and welcomed the aim of improving the quality, comparability and credibility of the financial reporting of United Nations

system organizations. It shared the views of the Advisory Committee regarding the transition to IPSAS and hoped that the new arrangements would solve accounting problems.

30. However, it had concerns about establishing a link between the adoption of IPSAS and the adoption of enterprise resource planning. As the Member States had not yet taken a final decision on the current proposals of the Secretary-General regarding ERP, adoption of the latter should not be seen as an essential precondition for the adoption of the former. Moreover, the Secretariat's strategy for integrating IPSAS into ERP should be examined in detail.

31. Likewise, a careful approach should be taken to training in new working methods, as it appeared from the report of the Secretary-General that many resource allocations, including those for staff retraining, had not been utilized, even if an increase in budget implementation rates was expected in 2009. His delegation would like more details of how the Secretariat proposed to evaluate the degree of satisfaction with the training provided. In the light of the current budget implementation rate, his delegation supported the recommendation of the Advisory Committee that it would be more advisable to implement IPSAS no earlier than 2012, rather than in 2011, in the middle of a biennium.

32. **Mr. Repasch** (United States of America) said that his delegation fully supported the implementation of IPSAS. Recalling that the Secretariat was working to develop one set of harmonized financial regulations and rules that reflected the changes required for the adoption of IPSAS, he wondered when in 2009 the proposed revisions would be submitted to the General Assembly. He would also be interested to know the Secretariat's view of the Advisory Committee's suggestion that it might be advisable to implement IPSAS in 2012, rather than in the middle of the biennial budget period.

33. **Mr. Yamazaki** (Controller) said that he would address delegations' comments in informal consultations.

34. **Mr. Hoe** Yeen Teck (Singapore) noted that the Secretary-General's report was dated April 2008. Given that more than six months had passed, he wondered why the Secretariat had not provided any follow-up information.

35. **Mr. Yamazaki** (Controller) said that the Secretary-General's report contained all the necessary basic information. The Advisory Committee had been provided with additional information for the preparation of its report, which had been issued in October 2008.

The meeting rose at 11.05 a.m.